British Waterways

OUR PLAN

FOR THE FUTURE 2005-2009

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Front cover: A family enjoy a day out at Thrupp on the Oxford Canal.

ABOUT OUR PLAN FOR THE FUTURE 2005-2009

This document lays out our plans for the next five years. It highlights our aims, and the progress we are making towards meeting them.

Project engineer, South East, Paul Wiseman, chief executive, Robin Evans and waterway supervisor, South East, Ivor Leach, discuss repairs to the Oxford Canal at Thrupp.

What information does this document contain?

This document is a summary of our plans. It outlines our values and our vision. It is then split into four areas: safety management, customer satisfaction, corporate social responsibility and business growth. Each section includes our strategies, milestones and specific targets.

This Plan complements our Annual Report & Accounts, which contains more information about our past achievements.

Why do we produce it?

Publishing this Plan helps us to work more effectively because it allows our stakeholders to understand our intentions and hold us accountable for achieving them.

When do we produce it?

This document is published in May 2005. Our Board has a formal programme of reviewing our policies and strategies each year. We publish this document after the review has been completed.

Who do we distribute it to?

We send this document to all our key stakeholders, and make it available at our local offices and on our website www.britishwaterways.co.uk/plan. We also use our customer magazine, Waterfront, our Annual Meeting, and local media meetings and press releases to inform different stakeholders about activities particularly relevant to them.

How to get further information

If you need any further information please contact our Customer Service Centre on 01923 201120 or by emailing enquiries.hq@britishwaterways.co.uk. If there is a particular activity you would like to know more about, please contact the relevant director (listed on page 35). If you want to speak to somebody about a particular waterway unit, our general managers' contact details are listed on the inside back cover.

Feedback

If you have any comments about this document we would be very pleased to hear from you. Please contact the Marketing Services Manager, British Waterways, Willow Grange, Church Road, Watford WD17 4QA or email plan@britishwaterways.co.uk.

INTRODUCTION

Chairman, George Greener talks to maintenance supervisor, East Midlands, Paul Singleton during a board visit to Woolsthorpe on the Grantham Canal. Vice-Chairman Campbell Christie and Managing Director, Northern Waterways, Derek Cochrane join them on the visit.

British Waterways has a passion to become the exemplar public corporation. I hope when our stakeholders read Our Plan for the Future they will be able to see how our social enterprise to create public benefit is supported by leading-edge business practices, and therefore be confident that we will deliver these plans.

This publication coincides with the general election so we were unable to include supportive prefaces from government ministers. We do benefit from exceptional support from the governments we serve, and we are pleased with the outcome of the five-year, End-to-End Review.

It commended our achievement, although we all recognise there is much more to do, but most importantly, it fully endorsed our strategies and plans for the future. There is the confidence to invest in commercial opportunities, with the intention to reinvest all the net income into the waterways. There is a determination to increase efficiency through contracts with government to deliver specific outputs. British Waterways' culture will transform from dependency to self-sufficiency. Success will earn more freedom to enable British Waterways to use its unique, specialist skills more widely for public benefit. We are confident that we will be able to demonstrate the superior merits of our model for the public corporation.

Indeed this will be the best defence to protect the waterways from the sort of ill-considered decisions which resulted in the dereliction of the past.

A great deal of progress has been made over recent years with the help of enlightened governments. We are confident that this will continue with the waterways increasingly becoming one of Britain's most loved and valued national assets.

The implementation of these plans depends upon us working harmoniously with a very large number of partners, who range from small groups of volunteers to huge businesses. It also depends on satisfied customers. The improvements we are making to how we listen and respond to partners and customers will stand us in good stead. The Advisory Forum; the transformation of the Ombudsman Scheme and complaints procedure; the improved consultation processes; being seen to be trading fairly; and professional account management are among the most important components of a new platform upon which we can all build confidently for the future.

It is clear that British Waterways, under the leadership of Robin Evans, is determined to transform itself to achieve its vision. But Robin is perfectly clear that this does not mean the core purpose will be neglected. Boats and boating, which is the source of so much opportunity, is, and always will be, at the heart of what we do.

George Greener
Chairman

ABOUT BRITISH WATERWAYS

British Waterways is a public corporation, accountable to the Department for Environment, Food and Rural Affairs (Defra) in England and Wales, and the Scottish Executive in Scotland. We manage a 2,000-mile long, 200-year-old, network of canals and rivers.

Steve Butter, senior waterway operative, Dave Ralphs, team leader, and Dave Pearce, waterway operative, West Midlands Waterways having mown the grass at Adderley Locks on the Shropshire Union Canal, as part of our pledge to cut all 2,000 miles of towpath vegetation at least once a year.

OUR VALUES

Our values underpin everything we do.
Our strategy is based on them.

COMPANY VALUES
characterise the results we seek to achieve

Sustainable – we take a long-term, and collective view of our work and outputs, so we can better provide the correct balance of social, economic, environmental and heritage benefits

Local – we seek out, engage with, and listen to local communities, so we can better understand their needs and in doing so offer an improved sense of place and belonging

Entrepreneurial – we apply modern business techniques to make imaginative contemporary use of our 200-year-old waterway network to create value

Excellent – we focus on quality in all we do

BEHAVIOURAL VALUES
influence how our people work

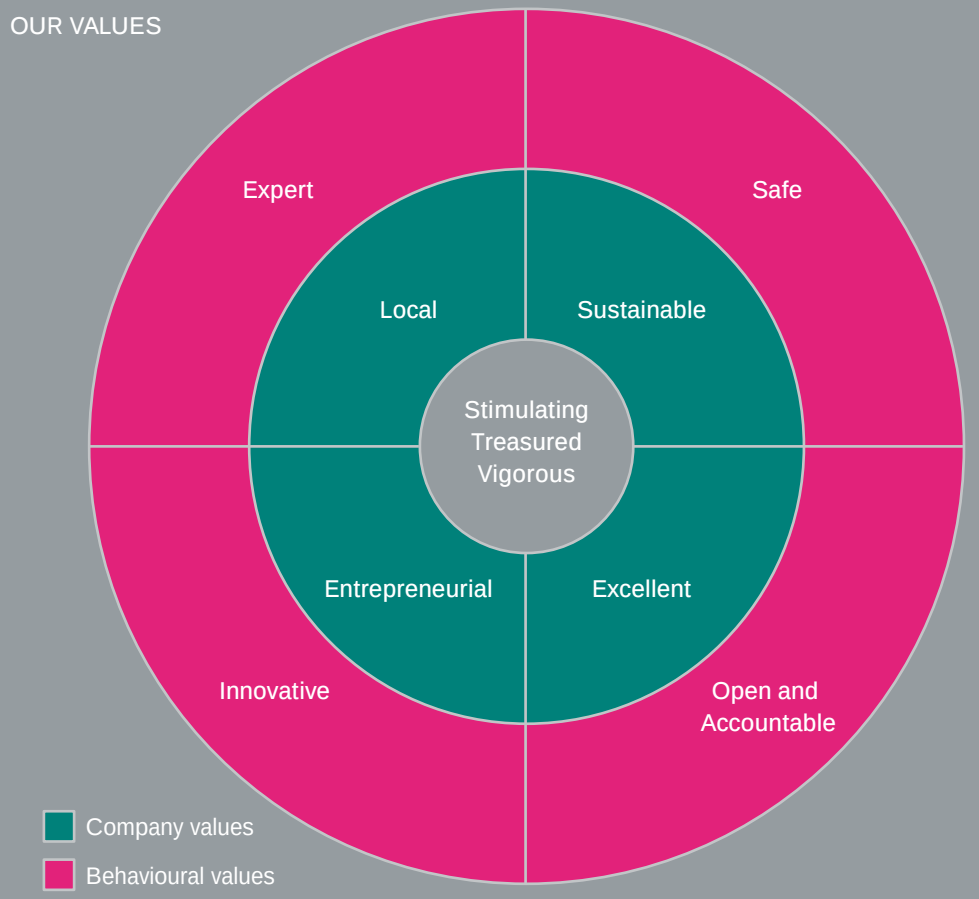
Safe – we ensure that we provide a safe environment for our employees, contractors and visitors

Open & Accountable – we are receptive to the views of others, and provide information on all our activities

Innovative – we make the waterways useful and relevant to people's lives today

Expert – continue to develop our knowledge and skills so that we are recognised as the leading advocates of the correct balance between waterway engineering, water resources, waterside regeneration, waterway heritage and waterway wildlife

By holding these values we will create waterways which are:
- **Stimulating** – growing in both appeal and reach
- **Treasured** – as a national asset
- **Vigorous** – vibrant, and full of activity



OUR VISION

Our ambition is that by 2012 we will have created an **expanded**, **vibrant**, **largely self-sufficient** waterway network used by **twice as many people** as in 2002. It will be regarded as one of the nation's most important and **valued national assets**. Visitors will be **delighted** with the quality of the experience and as a consequence many will become **active participants**.

STRATEGIES TO ACHIEVE OUR VISION

We will create a more vibrant waterway with increasing numbers of delighted visitors by

- increasing the number of boats
- improving customer service
- improving facilities
- establishing leisure businesses
- creating visitor destinations
- championing regeneration and developing waterside property
- restoring waterspace

see customer satisfaction, waterway management, restoration, leisure, property and ventures pages

We will achieve greater public participation in waterways, with people valuing them as national assets by

- increasing attractiveness
- improving accessibility
- increasing relevance
- encouraging visitors to participate
- ensuring everyone has an opportunity to participate
- harnessing visitors' enthusiasm so they become long-term supporters

see customer satisfaction, safety management, waterway management, leisure and corporate social responsibility pages

We will become Largely Self-Sufficient by

- developing income streams that create economic value
- reducing unnecessary expenditure that consumes economic value
- seeking to secure public funding through contract wherever we can

see business growth and government policy pages

We will be able to expand the waterways by

- building new waterways
- restoring redundant waterways
- acquiring waterspace

see restoration and waterway management pages

CLEAR INTENTIONS

Our vision, and strategies to achieve that vision, demonstrate how clear we are about where we want to go. This section highlights what we have to do to get there. Publishing this plan helps us to work more effectively because it allows our stakeholders to understand our intentions and hold us accountable for achieving them.

We have clear intentions, which include a full edge to edge cut of towpath vegetation. Dave Ralphs, team supervisor, West Midlands, uses a sit-on mower on the Shropshire Union Canal.

Although we have many short-term and local plans, we measure our overall success as:

- Making our waterways vibrant and valued, so we double visitor numbers by 2012 (compared to 2002 figures)
- Providing visitors with an experience which will delight them, so they are encouraged to become active participants and appreciate waterway heritage, wildlife and traditions
- Eliminating the backlog of statutory maintenance arrears and meeting targets for water availability and quality so that waterways are safe and reliable to use
- Growing our businesses and services, so they enhance customer satisfaction, as well as help deliver greater self-sufficiency
- Developing our culture to improve safety, openness and accountability, sustainability, commercial awareness and customer service, so we can better serve our stakeholders
- Completing our restoration schemes, so that they deliver more opportunities to visit waterways and create wider public benefits such as access to heritage, jobs, tourism and regeneration
- Proactively working with governments and partners, so we deliver exemplar public service which is good value for money

In this Plan we state our targets and report on our progress under the following headings:

Actively Managing Safety 10-11

Focusing on Customer Satisfaction 12-13

Committing to Corporate Social Responsibility 14-17

Managing Business Growth 18-31

ACTIVELY MANAGING SAFETY

Safety is our top priority in everything we do, for our visitors, neighbours, people and contractors.

We are committed to:

- becoming recognised externally as a class leader in health and safety management. This will be demonstrated by our standing in the Dti/Construction Excellency figures and our latest position is shown below right
- promoting a culture of excellence and adopting best practice in health and safety management
- reducing safety incidents to an acceptable level. For incidents that are reportable to the Health & Safety Executive that acceptable level is zero
- training and developing our people so that they work more safely and are equipped to deal with emergencies effectively
- implementing and maintaining excellent safety management systems
- ensuring all boats on our waterways have a Boat Safety Scheme certificate
- ensuring our network is safe and reliable to use

Specific Targets & Progress

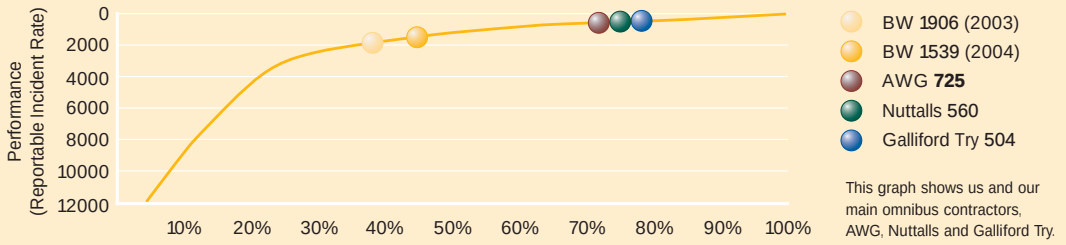
	Targets	Progress
Number of reportable staff incidents*	Zero	2003/04: 47 2004/05: 30
Percentage of all principal asset inspections completed	By 2008: 100%	2003/04: 74% 2004/05: 83.3%
Condition of assets improved We grade the condition of our assets A-E, A being good, E being poor.	Graded D 2009/10: 8% Graded E 2009/10: 2%	Graded D 2003/04: 21.2% 2004/05: 19.8% Graded E 2003/04: 6.2% 2004/05: 4.9%

* we currently do not include figures for contractors in our 'reportable incidents', it is our intention that future reports on 'reportable incidents' will include our smaller contractors

Safety Milestones

	Date
Achieve third quartile performance of Dti construction industry benchmark (see graph below)	2006
Achieve fourth quartile performance of Dti construction industry benchmark (see graph below)	2007
Win our first RoSPA gold safety award (three successive years of good performance)	2007
Eliminate our statutory maintenance arrears (see page 19)	2012
Demonstrate through surveys that a safety culture has been integrated into all business activities	Ongoing
Prevent a new backlog of safety-related maintenance works forming	Ongoing

Construction Industry Safety Benchmark Data



This graph shows us and our main omnibus contractors, AWG, Nuttalls and Galliford Try.

ACTIVELY MANAGING SAFETY

We actively manage safety. At this stoppage on the Stratford-upon-Avon Canal at Lowsonford, waterway operative Jason Watson fits a new lock gate collar.

FOCUSING ON CUSTOMER SATISFACTION

We will only achieve our vision if we exceed the expectations of more of our visitors. To achieve this we will focus on providing excellent customer service.

We are committed to:

- improving communications and acting on feedback
- being open and accountable
- increasing the quality and quantity of our facilities and services
- ensuring a growing waterway network is attractive and accessible
- having a secure and reliable waterway network

MARKETING AND CUSTOMER SERVICE

We need to improve the quality and scope of our facilities and services before we focus on increasing our visitor numbers.

We will:

- deliver a better, consistent and sustainable service. We will start by focusing on customer service for our boating customers in 2005/06, and will extend this service to other visitors in 2006/07
- improve customer service training for our people
- put additional resources in place to increase visitor numbers from 2007/08 onwards

ENCOURAGING FEEDBACK AND COMPLAINTS

We have introduced a simple and consistent complaints procedure for the whole organisation.

First complaints are handled locally. If a complainant remains unsatisfied then the complaint is reviewed by a director, without management responsibility for the issue concerned.

The new procedure improves the complainants access to the waterways ombudsman by reducing the number of steps involved.

In May 2005 we held the first full meeting of the British Waterways Advisory Forum (BWAF) which is attended by people representing groups who use the waterways. The Forum was a direct outcome of our openness and accountability consultation.

The British Waterways Advisory Forum will:

- be a framework for informed two-way communication between us and our national user groups
- hold two general meetings each year which will also be attended by our chairman, chief executive, along with some of our board members
- hold two smaller, intermediate, meetings to further explore issues raised, and to be raised, at the general meetings of the Forum

FOCUSING ON CUSTOMER SATISFACTION

Specific Targets & Progress

	Targets	Progress
Excellent visitor satisfaction levels*	By 2008: Boat Owners 15% Towpath Users 66%	Boat Owners: 2003/04: 9% 2004/05: 7% Towpath Users: 2003/04: 42% 2004/05: 40%
Improved appreciation through changed attitudes**	By 2008: at least mid-point on the tracking survey	2003/04: 64 (versus mid-point of 82) 2004/05: 68 (versus mid-point of 84.5)
Percentage of complaints responded to within 20 days	100%	2003/04: not measured 2004/05: 90.4%
Reduce dog fouling	2005/06: reduce by 60% (compared to 2003)	No measure yet (will be measured in 2005/06)

* There has been no significant change in overall customer satisfaction during 2004. In general, scores rating our service as 'excellent' have declined. However, scores rating our service as 'poor' have improved. This reflects our approach to trying to get basic service right in late 2004, eg our approach to vegetation management

** We have a telephone tracking survey which traces movements in public perception of the value of canals and rivers compared with other nationally important assets. In 2003/04 the seaside was rated at the top of the scale at 100, followed by parks & gardens at 90, woods & forests at 86, historic houses, castles & other monuments at 78, zoos, wildlife parks and farms also at 78 and museums & galleries at 73. Valued at 64, canals & rivers started at the bottom of the list of those surveyed. Our vision is that by 2012 inland waterways will be regarded as one of the nation's most important and valued national assets, so although we are making progress we know we have some way to go, and our target is that by 2008 we will achieve mid-point of the survey index. The improved appreciation target and milestone is also on pages 15-17.

Customer Satisfaction Milestones

	Date
Customer satisfaction targets in place	2005
British Waterways Advisory Forum established	2005
Achieve upper quartile in National Complaints Culture Survey	2006
Canals and rivers reach at least midpoint on 'public perception of value' tracking study (see above)	2008
Number of visits to our waterways has doubled compared to 2002	2012

We focus on satisfying our customers. Marketing services assistant, Becky Mutlow, fully explains the process of buying a boat to a visitor to the Schroders London Boat Show.

COMMITTING TO CORPORATE SOCIAL RESPONSIBILITY

Our statutory responsibilities extend beyond those of a navigation authority maintaining the waterway infrastructure. Providing social, economic, environmental and heritage benefits is an essential outcome of our work.

We deliver sustainability and corporate social responsibility through four themes:

- Caring for our Environment and Heritage
- Better Resource Management and Procurement
- Engaging with Visitors and Communities
- Developing our People

CARING FOR OUR ENVIRONMENT AND HERITAGE

We are fortunate to own many listed structures and Sites of Special Scientific Interest (SSSIs).

We will:

- continue to develop our internal expertise and knowledge so that we are recognised as the expert advocates of the correct balance between contemporary design and use, and heritage values
- seek to increase our unique archive of historical documents and, working with The Waterways Trust, continue to make these readily accessible to the public
- continue to develop our knowledge and skills so that we are recognised as the expert advocates of the correct balance between protecting an important environment whilst making good use of it
- implement an Environmental Management System and local Biodiversity Action Plans to ensure we manage properly the impacts of our activities on the heritage and environment

ENGAGING WITH VISITORS AND COMMUNITIES

The waterways bring enormous social benefits and opportunities, enhancing community wealth and quality of life.

Our resources are limited and we will therefore concentrate our efforts in three key areas where we feel we can provide the most benefit:

- Access for all - getting involved in projects with socially excluded groups including minorities, people with low incomes and people with disabilities, with a short-term emphasis on meeting the requirements of the Disability and Discrimination Act
- Community relations - encouraging greater use of the waterways by a diverse range of people, reducing vandalism and threatening behaviour
- Education - through formal education resources linked to the national curriculum for key stage 2 children under the WOW (Wild Over Waterways) brand

BETTER RESOURCE MANAGEMENT AND PROCUREMENT

Like most organisations we spend a significant amount of money procuring goods and services. When making purchasing decisions we take into account our wider social responsibilities.

We will:

- actively manage our impact on the environment, reducing and minimising our use of non-renewable resources and, where possible, seek alternative sources
- use CSR principles when we procure supplies, and choose contractors, consultants, and partners to work with
- adopt a new 'Whole Life Cost' approach to planning and assessments
- manage and minimise our waste streams

COMMITTING TO CORPORATE SOCIAL RESPONSIBILITY

Resource Management and Procurement Milestones	Date
5% Electricity reduction*	2006
10% Reduction in business mileage*	2006
40% Recycled aggregates used in our construction	2006
10% Reduction in total amount of waste produced from BW premises*	2007
65% Recycled aggregates used in our construction	2008
30% Electricity reduction*	2008

*Compared to 2003

Environment and Heritage Milestones	Date
Produce a National Water Quality Report using existing data so that we can ensure our approach to water quality management is effective	2005
Environmental Code of Practice to be replaced by a new Environmental Management System	2005
Eliminate all our buildings on the English Heritage Buildings At Risk Register	2007
Use Water Framework Directive classification schemes to monitor our water quality	2007
Management plans for all SSSIs to be reviewed and agreed with appropriate bodies	2007
To be selected by English Heritage to self-manage our heritage estate from 2008 onwards	2008
Eliminate all our existing buildings on Local Authority's Buildings At Risk Registers	2008

Customer and Community Milestones	Date
Disability Equality Scheme in place	2005
Customer satisfaction targets in place	2005
British Waterways Advisory Forum established	2005
Achieve upper quartile in National Complaints Culture Survey	2006
Canals and rivers reach at least midpoint on 'public perception of value' tracking study	2008
Each waterway unit has strong established ongoing relationships with all primary schools in two-mile corridor	2009

We believe in involving communities in our work. In London, in August 2004, we teamed up with the annual River Cultures Festival at West India Quay to celebrate Docklands' cultural diversity and enjoy one of London's most popular waterside attractions.

COMMITTING TO CORPORATE SOCIAL RESPONSIBILITY

DEVELOPING OUR PEOPLE

BW is, and will continue to be, a people business. Our people bring our strategies to life, they deliver our key objectives and they differentiate us in the corporate world.

We will:

- provide competitive pay and benefits to recruit, retain and motivate quality individuals and teams at all levels
- develop a culture of continuous improvement through performance and development review processes
- use training and development to improve customer service, empowerment and efficiency
- undertake regular employee surveys to understand the views and opinions of our people
- identify and develop talent within the business to ensure that quality individuals are prepared for progression
- ensure that all our people understand the benefits of sharing best practice to achieve leading sustainable practices and processes

People Milestones	Year
Improve performance and development review process	2005
Complete interim employee survey and begin to implement actions	2005
Achieve targeted absence reductions	2005 onwards
Monitoring guide of 25% women in senior management	2005
Monitoring guide of 2% ethnic employees	2005
Regain external recognition as Top 100 employer	2006
Succession planning fully embedded and producing senior management talent to minimise the need for external recruitment at senior management level	2007

USING TECHNOLOGY

We want all our people to have access to, and make intelligent use of, information to drive business growth and maximise efficiency.

We aim to:

- take advantage of the full range of SAP software to help further improve our efficiency
- provide non-office based staff with mobile access to our IT systems
- develop e-business initiatives, particularly for e-procurement and e-learning

Technology Milestones	Year
Video conferencing available at all Waterway Units	2005
Information Age Government targets achieved	2005
Mobile computing strategy confirmed	2005
E-procurement implemented	2006
E-learning implemented	2007
Mobile computing implementation begins	2006
Mobile computing complete	2008

COMMITTING TO CORPORATE SOCIAL RESPONSIBILITY

Specific Targets & Progress

Themes	Business Area	Targets	Progress
	WATERWAY		
E&H	Reduced CO_2 emissions from employee vehicles by reducing mileage	By 2008: 6 million miles pa	2003/04: 6.6 million 2004/05: 5.64 million
	Reduction in energy consumption	2005/06: reduce by 10% from baseline	2003/04: Baseline 2004/05: 7%
Social	Improved appreciation through changed attitudes	By 2008: at least mid-point on the tracking survey	2003/04: 64 (versus mid-point of 82) 2004/05: 68 (versus mid-point of 84.5) (see page 13 for explanation)
	LEISURE		
E&H	Number of interpretation schemes completed	2003-2008: 100 (cumulative)	2003/04: 13 2004/05: 22
Social	Number of visitors	2012: 6.4 million	2003/04: 3.2 million 2004/05: 2.85 million*
	RESTORATION		
Social	Miles of newly accessible waterway	2003-2008: 120 miles (cumulative)	2003/04: 25.3 2004/05: 0 (as planned)
E&H	Miles of historic waterway restored	2003-2008: 10 miles (cumulative)	2003/04: 10 2004/05: 0 (as planned)
	PROPERTY		
Social	Affordable housing units planned	2003-2008: 1385 (cumulative)	2003/04: 710 2004/05: 849
E&H	Reduce the number of buildings on the English Heritage and local authority 'At Risk' registers	English Heritage: 2008: 0 Local Authority: 2008: 27	English Heritage: 2003/04: 3 2004/05: 3 Local Authority: 2003/04: 115 2004/05: 118 **
	VENTURES		
Social	Hits on waterscape.com website	2003-2008: 50 million (cumulative)	2003/04: 2.8 million 2004/05: 6.4 million
E&H	Percentage of ISIS projects meeting sustainable development criteria	100%	2003/04: 100% 2004/05: 100%

E&H = Environment and Heritage

	Targets	Progress
PEOPLE		
Employee turnover†	< 10%	2003/04: 10% 2004/05: 12%
Employee job satisfaction levels††	2008/09: 90%	2003/04: No measure 2004/05: Sept 04: 71% March 05: 82%
Absence days per employee	7 days	2003/04: 9 days 2004/05: 7.3 days

* For the first time, we have comparative year on year data (Sept-Dec). This shows falls in visitor numbers, although it repeats September as a peak month. It is too early to draw firm conclusions from this data. A preliminary review of weather patterns in the two years suggests that the weather was worse in this period in 2004 than in 2003.

** During 2004/05 we removed one building from a Local Authority (LA) register, repaired 16 (but have not yet had them removed from a register), and four have been sold.

The reasons for the increase shown are:
- LAs creating new registers in 2004/05, which include some of our buildings
- LAs adding more buildings to registers, which also include some of our buildings
- LAs not responding to our 2003/04 requests for register information, but responding in 2004/05 with numbers of buildings

† The industry average is 16%

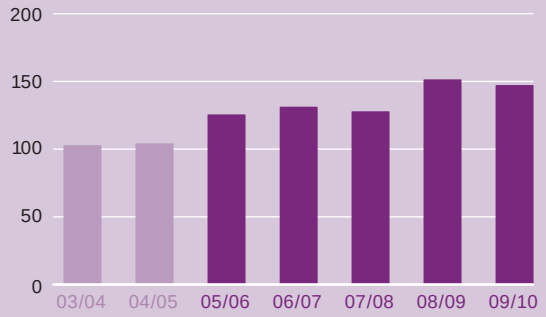
†† The UK norm is 75%

We are committed to caring for the environment. Project engineer, Paul Fox takes a reading to ensure there are adequate oxygen levels for fish, whilst dredging takes place on the Rufford Branch of the Leeds & Liverpool Canal.

MANAGING BUSINESS GROWTH

Making effective use of our assets continues to generate significant income for us, and ensures that the waterways are here for the long-term.

Total Income £m*



*Excluding government grant, which is shown on page 33.

Over the next five years, we believe we can grow our business to earn the additional income needed to keep our waterways in a satisfactory condition.

We manage our business by segmenting it into the following areas:

- Waterway Management
- Leisure
- Restoration
- Property
- Ventures
- Fixed and Operating Costs

MEASURING OUR FINANCIAL PERFORMANCE

We measure our performance in a number of ways to ensure that we are making the most effective use possible of all our assets. As well as measuring traditional financial returns as profits or losses we monitor the cost of the capital the business needs to make these financial returns. This includes a measure we call Economic Value Created or EVC.

Our people have to understand the current and potential performance of their part of the business in these terms. This helps ensure the right sort of management decisions are taken and the optimum levels of capital are employed.

We are already starting to see the benefit of this approach, for example in our operational property estate (land and buildings which we occupy). Most of our premises are freehold and there is therefore often no rent charge in the accounts for using these buildings.

In fact, of course, there is money tied up in the value of that property that could otherwise be re-invested in the waterways. EVC helps make the full impact of occupying the property clear to managers. As a result we have been much more effective in rationalising our operational estate, freeing up land and buildings to generate income for our core purpose.

More waterway income means we can spend more on dredging. Our contractors, Land and Water, are pictured here dredging on the Rufford Branch of the Leeds & Liverpool Canal.

More Waterway Expenditure

Our waterway expenditure is focused on maintaining and improving the waterway network, to increase customer satisfaction.

Ongoing maintenance

We have a 2,000-mile, 200-year-old, waterway network. It needs constant maintenance and we have an ongoing commitment to maintain the amenity and the built and natural environment. Expenditure is broken down as shown on the graph, right.

Reducing our statutory maintenance arrears

Following years of underfunding, towards the end of the 1990s, we have been left with serious structural engineering problems which have a significant cost attached to them. These are our statutory maintenance arrears.

We will eliminate our statutory maintenance arrears by 2012 and to help with this process we have:

- divided them into high and low risk by looking at what the consequences would be if the assets failed
- prioritised our high consequences of failure assets and revised our expenditure plans accordingly

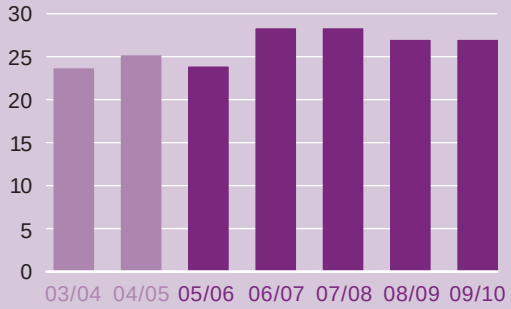
Managing our water efficiently

Water is a precious resource so we plan on a 25-year timescale to manage our water supplies.

Both the Water Act 2003 and European Water Framework Directive 2000 will place us under a tighter regulatory regime. Resulting costs could be in the region of £1 million each year. A key requirement arising from this regulation will be to demonstrate efficient use of water resources. We will therefore:

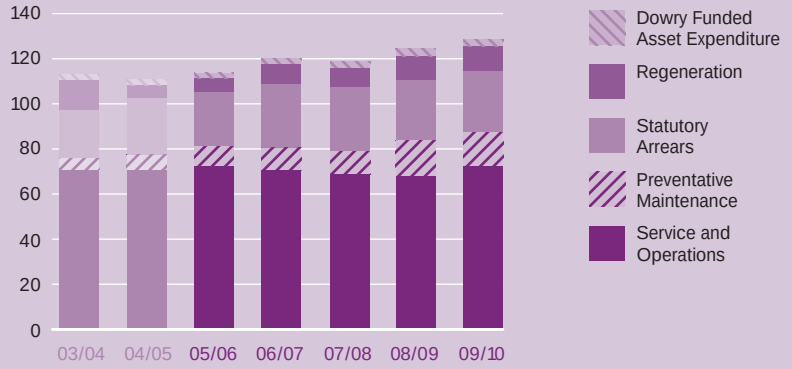
- continually improve our understanding of where and why we lose water, and minimise these losses
- constantly measure how much water enters and exits our waterways
- continually update our hydrological models in light of changing weather patterns and demands
- establish benchmark ecological standards for all our waterways
- improve our SCADA (Supervisory Control and Data Acquisition) technology which constantly monitors and controls our water levels and flows

Annual Statutory Arrears Expenditure £m



Statutory arrears expenditure in 2005/06 is lower than in previously published plans, as money has been re-distributed to tackle key areas of work such as dredging and vegetation management. The Annual Statutory Arrears Programme has therefore been re-phased taking into consideration these key areas of work.

Operating and Maintenance Expenditure £m



Waterway Expenditure Milestones	Year
Complete flood studies project and hydrometric studies on high risk sites	2005
Establish a reliability standard for water resources that can meet our future aspirations	2005
Achieve annual statutory arrears expenditure of £25.1million and outstanding statutory arrears balance of £139.1million	2006
Extend and modernise hydrometric and SCADA network to deal with new regulatory regime	2007
Remaining statutory arrears reaches £50 million	2007
Complete research on water catchment areas for embankments	2007
Statutory arrears eliminated	2012

More Waterway Income

Waterway income comes from many different sources, but mostly from our operational property, water sales and utilities businesses. Third party contributions, earmarked for particular projects at defined locations, also boost our waterway income.

Water sales

The main priorities for our water sales business, which now includes Watergrid, is to explore new opportunities, efficiently manage our existing business and further grow our income at contractual rate review points.

Utilities

For a fee, we allow utility companies to use our network, for example, we have telecommunications, electricity and gas cables and apparatus under our towpaths. We also allow water companies to discharge surface water into our canals and we manage this water on their behalf, again for a fee. We have created a mobile phone mast network with our partner New Edge Telecommunications Ltd (NET), and have built six sites this year.

We will:

- develop 24 new sites in 2005/06 with our partner NET
- ensure all electricity, gas and water companies pay for use of our land

Increasing freight traffic

Canals were originally built for the transportation of goods and we remain committed to doubling freight carriage by 2010 (compared with 2000) despite the fact that freight was neglected during the late 20th century, and that nowadays freight can't be our waterways main purpose.

We will focus on four markets, which we feel have the greatest potential, these are:

- Minerals- we have mapped the commercial mineral deposits alongside our network and will continue to meet with aggregate suppliers to persuade them to consider water transportation
- Waste - carrying waste by water has considerable potential, but requires waste collection and handling to be reorganised. We will continue to demonstrate the benefits of waterborne freight to Local Authorities, who are under pressure to recycle more. Wider corporate social responsibility, not just economic benefits, will justify our investment
- Construction & Demolition Material - we will actively pursue schemes for waterside waste recovery and recycling of construction materials
- Containers - we are surveying our widest waterways to establish what needs to be done to make them more suitable for modern vessels and container sites

In order to effectively carry freight inland waterways often need substantial additional investment, and we need the same upfront investment whether we carry one or one hundred freight carriers. This additional investment is high-risk for us, as we could make a significant loss if we do not encourage enough carriage. We wholly support the additional public benefits this investment will bring, however we have to consider these, along with the financial risks involved when deciding whether to facilitate freight.

Operational estate and rechargeable works

We will continue to earn income from agreements for the use of our land for works in, over, under or along the waterway corridor, such as bridges, underground pipes and cables as well as licences for surface water discharges into canals.

More waterway regeneration

Waterways are a significant catalyst for regeneration.

We will:

- negotiate directly with developers or local authorities to ensure that waterways are an integral part of any planned development
- work with Local Authorities and Regional Development Agencies to achieve area based regeneration linked to the waterways

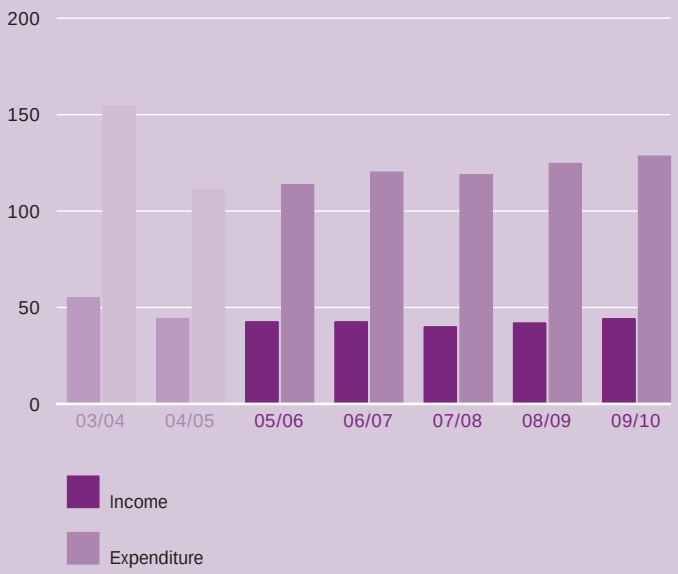
Seeking funded acquisitions (or management) of waterspace

We will proactively pursue the acquisition of new waterspaces when we, and the current owners, believe that British Waterways is best placed to manage them.

EXPERT WATERWAY MANAGEMENT

Waterway Income Milestones	Year
Complete whole network Waste by Water freight study	2005
Secure a contract for movement of construction / demolition materials in London	2005
One new Waste by Water contract (to be one of five new demonstration projects)	2006
Complete trials for container traffic on the Aire & Calder Navigation and, if successful, secure funds for infrastructure improvements	2006
Conclude surface water discharge agreements	2006
Complete water sales negotiations with Thames, Corus and United Utilities	2006
78 mast sites on our land	2008
1 million tonnes aggregate traffic	2007
Two new dowry acquisitions	2007
0.5 million tonnes recyclable / waste traffic	2008
Double freight activity on the network from 2002 levels	2010

Waterway Income and Expenditure £m



We want to use our waterways to earn income for us. We encourage freight on our waterways and recognise the public benefit it can bring.

Growing Boats and Boating

Boating is at the core of what we do and we plan to grow our boating business by 2% per annum. We have both business and individual boating customers.

Individual boating customers

We will:

- focus on key customer issues, such as increased vegetation management and dredging
- develop and improve our mooring business (see below)
- standardised our service charges

Business boating customers

We will:

- improve account management
- encourage more investment in marinas (see below)
- offer standardised agreements

Moorings

As we improve the waterways and better promote them, we expect an increase in the already high demand for boating. With this increase the demand for moorings will also rise.

We will:

- identify sites for mooring development and, in accordance with the marinas protocol, put all opportunities for new marina moorings out to tender
- encourage private sector investment by assisting in planning negotiations, technical expertise and, if appropriate, financing (with a commercial return)
- encourage existing on-line moorers in congested locations to move to new marinas

Licences

Every boat on our waterways should be licensed and we issue more than 26,000 licences per annum.

We will:

- determine the annual price increases using industry cost-based indices
- continue to reduce licence evasion
- implement our new policy on continuous cruising
- sell licences on-line through waterscape.com

MORE VISITOR DESTINATIONS AND ATTRACTIONS

We know canals and rivers attract millions of visitors. We want to build upon, and enhance, what we already offer to meet the expectations of an increasingly sophisticated and demanding leisure visitor.

Visitor destinations

We will:

- develop sites, that already attract visitors and improve the facilities and services to meet the needs of those visitors. Such sites could include existing lock flights a well as major new developments
- include at these sites, where possible, car parks, retail, food and drink, boat trips, guided walks, plus other commercially viable propositions

Visitor attractions

We will:

- continue investment in line with the masterplan at The Falkirk Wheel
- continually improve the visitor experience at Anderton Boat Lift and the Standedge Visitor Experience
- investigate opportunities for small-scale local attractions including cafes, retail, cycle hire and caravan parks
- look at rolling out successful local leisure businesses nationally, with the appropriate resource and investment

SUPPORTING ANGLING

Angling is Britain's favourite pastime, and inland waterways offer many opportunities.

We will:

- promote online (on the canal) angling where possible as part of our drive to improve access for all
- invest in offline (off the canal, eg reservoir) angling where profitable
- address conflicts between waterway and towpath users through consultation, and partnership with local user groups

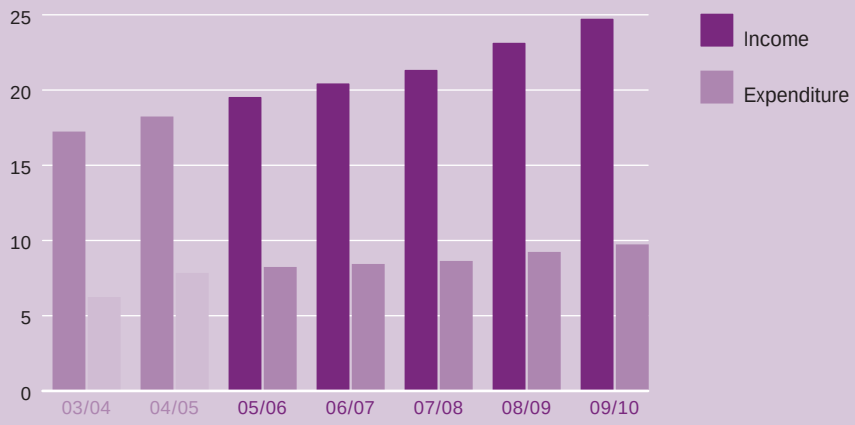
EXPLORING SPONSORSHIP

We are exploring opportunities for sponsorship that will complement our values. Opportunities include local activities, high profile locations, groups of structures and entire waterways. As well as increasing income, sponsorship has the potential to bring us increased market visibility and greater public reinforcement of our values.

DEVELOPING LEISURE

Leisure Milestones	Year
Moorings	
Moorings Prospectus to encourage investors, produced and marketed	2005
10 significant new marina starts	2008
Craft Licensing	
New integrated software for licences available to patrol staff	2006
Annual growth in boating business of 2% achieved	2006
Licence evasion reduced to 3% (compared to 5.7% in April 2005)	2006
40% of licences purchased online	2008
Annual growth in boating business of 3% achieved	2008
Visitor Destination	
Caen Hill visitor destination pilot project complete	2005
Roll out other destinations based on pilot	2006
Sponsorship	
Completion of feasibility study	2005
Preparation of a sponsorship plan (assuming positive results from the feasibility study)	2005
Initial sponsorship secured (assuming plan is approved)	2006

Leisure Income and Expenditure £m



Our growing boating business is enjoyed by people of all ages as pictured here on the Grand Union Canal at Soulbury Locks, Stoke Hammond.

MORE RESTORATION

Prior to the Millennium restoration was piecemeal and sporadic.

As we reached the Millennium, waterway restoration activity and funding dramatically increased. We reached a high-point, and working closely with our partners were successful in securing £192 million of lottery and other funding over six years, resulting in reopening over 200 miles of restored waterways.
This caused a complete change in attitude, as a new culture emerged to support high, and sustainable, levels of waterway restoration in terms of both funding and activity. We are now planning to spend at around half of that seen during the Millennium years. Having learned a great deal, we now have a much better managed, and more staged approach to long-term restoration.

As well as helping to provide a sustainable waterway network for millions of people, restoration provides a major income source and plays a key part in the delivery of the government's regeneration objectives.

DRIVING OUR PRIORITY PROJECTS

In 2004 we published our restoration priorities in our document Waterways 2025. Restoration projects are long-term commitments, taking many years to come to fruition, and we are making good progress on most of our priority projects.
We will:

- use our expertise to help prepare funding bids and act as contractors to help other waterway restoration projects where possible
- continue to focus on our Priority One projects as set out in our document, Waterways 2025

PRIORITY ONE PROJECTS

Ashby Canal (to Measham)

A public enquiry for a Transport & Works Act Order has now been completed, and we are awaiting the results. This Act will enable construction to begin and give compulsory purchase powers. We are currently working with Leicester County Council on the engineering designs for the project.

Bedford & Milton Keynes Waterway

It has proved impossible to achieve the necessary levels of funding needed for the construction of the Bedford & Milton Keynes Waterway. A decision was made with the B&MK Waterway Partnership to scale down our involvement in line with the level of available funding. We will, however, endeavour to ensure the line of the canal is safeguarded by planners, although we no longer regard Bedford & Milton Keynes Waterway as a priority project because it is not capable of being delivered in a reasonable timescale. In our 2004 restoration document, Waterways 2025, we state that we would only support schemes that might be completed within a 20-year horizon.

Bow Back Rivers

This restoration is in the early stages of planning and the speed of its completion is closely aligned to London's success in securing the 2012 Olympic Games. If the bid is successful we will agree our land strategy with government agencies and agree a construction plan in 2005/06, with a view to start construction in 2006/07.

Cotswold Canals (Phase1)

In July 2004 the Heritage Lottery Fund (HLF) gave a Stage One Pass for an £11.3 million grant towards Phase One of the restoration of the Cotswold Canals meaning HLF has earmarked these funds for the project. The next stage is to submit a further, fully developed application and we hope a Stage Two Pass will be given by the end of 2005, meaning physical work could start as early as January 2006. In early 2005, the South West Regional Development Agency also committed funding.

Droitwich Canals

85% of the funding is in place for this restoration. Depending on funding we plan to start work in 2005.

Fens Waterways Link

An Implementation Plan has been published, supported by technical reports, which explores in detail the feasibility of the Link. The project is being led by the Environment Agency and is made up of many small projects. For more information visit www.fenswaterways.com

Liverpool Link

We already have a commitment for £7.5 million for this £15 million scheme, and our partners are currently considering the availability of further funding. Planning permission has been granted and so long as adequate funding is in place we aim to start building the link at the end of 2005/06 and complete it by 2007/08 in time for when Liverpool becomes the European Capital of Culture in 2008.

Manchester, Bolton & Bury Canal

We have so far received £4.5 million from the North West Development Agency, European Regional Development Fund, including £1million direct from the private sector. Work for Phase One could start at the end of 2005, subject to completing the final details of the funding package, with a plan to complete construction in 2007.

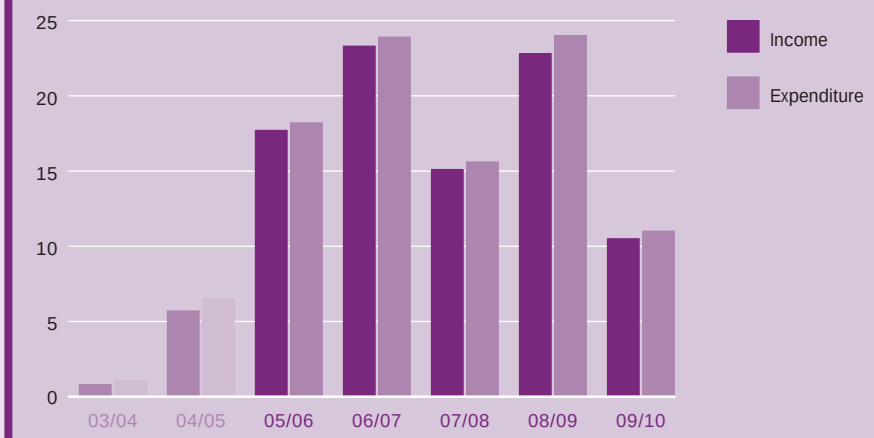
Montgomery Canal

We will publish the conservation management strategy early in 2005/06 and complete a 500-metre channel construction at Llanymynech in 2006. We want to secure funding for the main restoration by 2006/07.

MORE RESTORATION

Restoration Milestones	Year
Bow Back Rivers	
Review Restoration Project following International Olympic Committee decision (6th July 2005)	2005
Agree construction plan	2006
Construction	2006 onwards
Cotswold Canals	
HLF Stage 2 application	2005
HLF contract signed	2006
All major contracts let	2007/08
Droitwich Canals	
Planning application submitted	2005
First major contract let	2005
A449 west crossing completed	2006
All major contracts let	2007
Forth & Clyde Canal	
Completion of Port Dundas Link	2006
Liverpool Link	
Secure final estates and funding agreements	2005
Start construction of link	2006
Complete construction	2007
Manchester, Bolton & Bury Canal	
Commence construction phase I (Middlewood)	2005
Complete construction phase I	2006
Montgomery Canal	
Publish conservation management strategy	2005
Complete 500m channel construction – Llanymynech	2006
Secure funding for main restoration	2006
Monmouthshire & Brecon Canal	
Maintenance of restored lengths	2005
Review ongoing membership of restoration partnership	2005
Northern Reaches, Lancaster Canal	
Commence feasibility for Northern Reaches (Phase 1), Kendal	2005
Complete study and commence development master plan	2006

Restoration Income and Expenditure £m



We plan to expand our waterways. The restoration and regeneration of the Bow Back Rivers, East London, is at the centre of the London 2012 Olympic Bid.

Northern Reaches, Lancaster Canal

The North West Development Agency and the main funding partners have contributed £0.75 million to deliver a feasibility study for the restoration of the Northern Reaches (Phase One) of the Lancaster Canal. We will complete this study and will develop a Master Plan in 2006.

River Carron Navigation

A £200,000 feasibility study has now been completed. The study identifies options for the improvement of navigation on the River Carron.

MAKING THE MOST OF OUR PROPERTY

We own investment property and a development estate worth £470 million. It provides a crucial source of income for us.

INVESTMENT PROPERTY STRATEGY

We will increase income from our investment estate through:

- timely and active estate management
- being prepared to increase our risk levels for higher yields

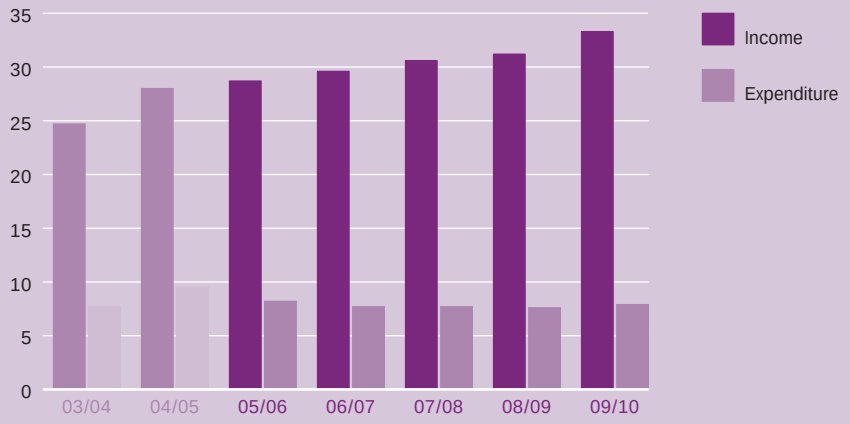
DEVELOPMENT PROPERTY STRATEGY

We will:

- increase our development acquisitions to fulfil our objectives for urban and rural regeneration
- continue to trade land, and add value to it by securing planning consent, land assembly and infrastructure before offering it to private sector developers
- develop property through our partnerships where additional finance or expertise is needed. Our partners will add value to the land before trading it to other third party developers
- engage in direct development activity ourselves, or through our partnerships, whenever it is in line with our wider objectives. Schemes will generally be selected because they deliver wider government policy, secure high levels of public support or develop an area of market failure. However they must also meet minimum criteria for investment returns and risk. We will not normally engage in direct development activities in our own right, other than when there is no other viable option, and these schemes will be of a small scale in terms of capital investment
- work with government to enable us to use our property and regeneration expertise on other waterways

Property Milestones	Year
Wood Wharf successfully transferred to a new partnership vehicle (see page 29)	2005
Gloucester Quays transferred successfully to joint venture with Peel Holdings (see page 28)	2005
Controllable costs of investment property business represent < 20% of income	2006
Disposal of at least 75 low value properties	2006
100% completion of property registration	2008
Identify at least five new sites per year for the Waterway Pub Partnership	Ongoing to 2008

Property Income and Expenditure £m



MAKING THE MOST OF OUR PROPERTY

We want to make the most of our property portfolio so that more money can be put back into maintaining and caring for the waterways. We are currently working with Berkeley Clarence Dock Company Ltd to regenerate Clarence Dock, Leeds. This development, as pictured here in this computer-generated image, will enhance the basin area surrounding the Royal Armouries Museum, utilising its waterside location. We will retain ownership of some of the revenue-generating leisure space in this mixed-use development to lease to third parties.

Our ventures cover a wide range of business activities.

Leisure Businesses	Multi site property	Site specific Property	Other	Ventures under formation
British Waterways Marinas	ISIS	City Road Basin, London	Watergrid	Wood Wharf, London
Waterscape	H2O Urban	Edinburgh Quay, Edinburgh	Paddington Basin Barges	Gloucester Quays, Gloucester
Waterside Pub Partnership		Timberbasin, Glasgow	Waterwise	Festival Waters, Stoke

LEISURE VENTURES

Waterscape

Waterscape is an internet-based business, set up to promote inland waterways, and provide profitable services to consumers. It is operated via a wholly-owned subsidiary company and will generate additional net revenues for us. During 2004/05 it reported over one million on-line visitors to the site. During 2005/06 Waterscape will launch its on-line boaters' facility guides.

British Waterways Marinas

British Waterways Marinas was established in January 2004 as a wholly-owned subsidiary to:

- improve the performance of BW owned marinas through focused business activity
- develop and acquire new marinas on the network
- create a transparent business activity separate from BW's role as network operator

We have a protocol in place, which requires marinas meeting the criteria set within the protocol to be transferred to British Waterways Marinas. Five more marinas are planned to be included in 2005, and a further five to ten over the next ten years.

Waterside Pub Partnership

In February 2005 we formed the Waterside Pub Partnership, a new joint venture with Scottish & Newcastle Pub Enterprises (Management) Ltd which is expected to develop a nationwide chain of more than 100 waterside pubs.

The Waterside Pub Partnership's initial portfolio includes 30 of our existing leased pubs with a further 20 sites under option that will be developed over the next three years.

MAJOR PROPERTY VENTURES

ISIS

In July 2002 we created ISIS, our waterside property development joint venture in partnership with AMEC Developments and Igloo Regeneration Fund (managed by Morley Fund Management).

ISIS currently has 11 sites in its portfolio. A further five sites are under review to be transferred into ISIS via option from BW.

Wood Wharf

Wood Wharf is a 20-acre site in the north east corner of the Isle of Dogs east of Canary Wharf, which we acquired from the Port of London Authority in 2001.

The masterplan for the development of the site was adopted as Supplementary Planning Guidance in December 2003. After a fierce open competition a consortium of Canary Wharf Group and Ballymore Properties Limited has been chosen as our preferred partner. The venture is expected to be formed in early 2005/06.

Edinburgh Quay

Edinburgh Quay is our joint venture with Miller Developments, in which we have a 50% stake. It has already developed 105,000 sq ft at the Lochrin site in Edinburgh, including 62 residential flats and a 150-space car park. 67% of office space, and 45% of leisure space has now been let. Over the next five years Edinburgh Quay will fully let phase one, whilst working up phase two on the adjoining site.

Gloucester Quays

Gloucester Quays is a planned joint venture with Peel Holdings. We will have a 50% stake in the venture. In November 2004 we, and Peel Holdings, gained planning approval for a 60-acre mixed use scheme, including a factory outlet centre, residential and leisure units, Gloscat College, and retail. Grant funding has been secured from English Partnerships and work could begin on site as early as the end of 2005.

VENTURES

WATERWAY VENTURES

Watergrid

Watergrid, our water supply and treatment partnership formed in 2002 with AWG, Bristol Water Holdings and Partnerships UK, will now become a BW wholly owned subsidiary. A re-assessment by the partners concluded that the market for alternative treated water supply and wastewater services had not developed sufficiently to make the original proposition a suitably attractive medium-term prospect. Through this change, we will now focus on growing Watergrid's core water sales market supplying raw water from our canals and rivers to water utilities and waterside industry.

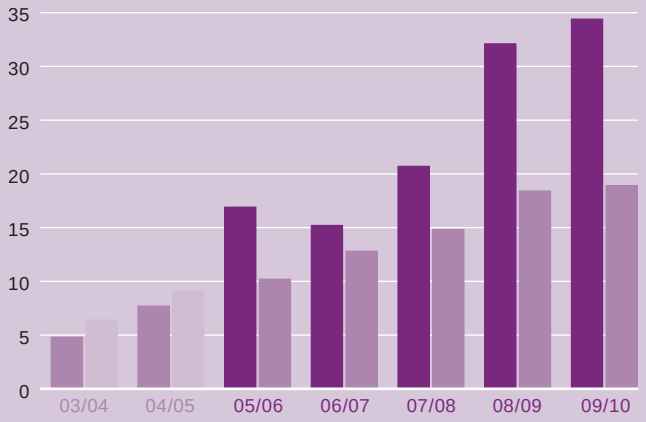
THE FUTURE

We do not currently have firm plans to create any further major joint ventures other than those noted in the table on page 28.

Alongside these there are a number of other smaller companies, in which we have an interest, many of which are formed to manage common areas of property developments, eg West India Quay Management Company, Limehouse Basin Management, Gloucester Dock Management Company and Nottingham Waterside.

Ventures Milestones	Year
Waterscape	
Break-even in 2005/06	2006
British Waterways Marinas	
Next tranche of marinas transferred	2005
Waterside Pub Partnership	
Development of 15 new pubs	2006
ISIS	
Award construction contracts at Brentford, Manchester and Leeds Canal Basin	2005
Wood Wharf	
Partnership formed	2005
Site 'readiness for development' criteria satisfied	2009
Edinburgh Quay	
Sale of investment	2005
Approval to invest in phase 2	2005
Gloucester Quays	
Secure funding from English Partnerships	2005
Partnership formed	2005

Ventures Income and Expenditure £m



Our ventures business is projected to deliver positive contribution and EVC (see page 18) in 2005/06 and in the future as our ventures develop and mature. Our ventures are typically structured so that we have a significant influence of the partnership (50% share) to ensure that our values and objectives are met. Our share of profits earned from the ventures are reinvested into our business.

Income, particularly from our property ventures, can be uneven from year to year. This explains the planned dip in 2006/07, whilst maintaining an overall growth trend.

REDUCING FIXED AND OPERATING COSTS

We intend to grow the business without a corresponding increase in operating costs, and all our business areas will benefit from a reduction in fixed costs.

REDUCING FIXED COSTS

We will:

- continue to identify functions which would best sit within our Shared Service Centre, which was established in 2004 to perform all our shared finance and administration processes. We aim to make a £500,000 saving from this each year
- minimise occupancy of our office space in a way which doesn't compromise our customer service aims

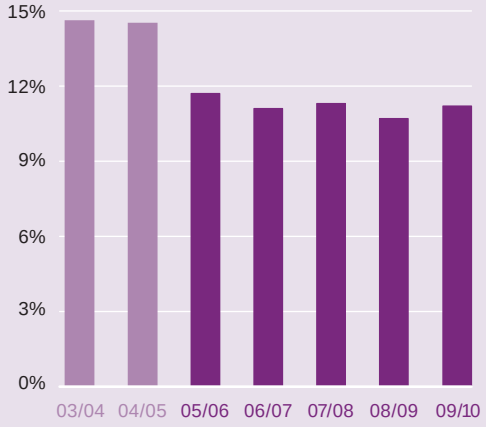
MINIMISING OPERATING COSTS

We will:

- achieve significant savings by using BW Group buying power to procure cheaper goods and services, and develop electronic procurement to reduce transaction costs
- continue to develop the best or 'model' way of working for our ten waterway units, using our North West waterway unit as a pilot. Once established, we will roll out this model across the business
- reduce our spending on contracts and materials (currently around £60 million each year) through better buying, improving our processes, value engineering and selective outsourcing

Fixed and Operating Costs Milestones	Year
Electronic Procurement Phase I in place	2005
Shared services extended to BW London and BW Scotland	2005
Savings £0.3m achieved against baseline costs	2006
Close all offices no longer required for operational reasons	2006
Achieve like for like procurement savings of £1m p.a. compared to 2004/05	2007
All relevant processes in Shared Services	2007
Electronic procurement Phase II in place	2007
Achieve like for like procurement savings of £2m p.a. compared to 2004/05	2009

Fixed and Operating Costs as a percentage of Total Expenditure



REDUCING FIXED AND OPERATING COSTS

Reducing our fixed and operating costs enables us to spend a larger proportion of our income on the waterways so that boaters, like these at Kingswood, where the Grand Union Canal meets the Stratford-upon-Avon Canal, can enjoy a better experience.

IMPLEMENTING GOVERNMENT POLICY

As well as being governed by the normal accounting, employment, environmental, planning and safety legislation that affects any modern organisation, we are specifically governed by the Transport Acts of 1962 and 1968 as well as many of the original canal enabling Acts.

Our sponsoring government departments are the Department for Environment, Food & Rural Affairs in England and Wales and, in Scotland, the Scottish Executive. We also liaise closely with the Department for Economic Development and Transport in Wales and Regional Assemblies.

A map of our waterway network can be found on the inside back cover of this document.

OUR RELATIONSHIP WITH GOVERNMENTS

The Westminster government sets out its objectives for us in the published Framework Document for British Waterways (DETR, 1999). Our aims, as explained in the Framework Document, can be summarised as follows:

- maintain and develop our inland waterways in a sustainable manner, so that they fulfil their full economic, social and environmental potential
- fulfil our statutory navigation functions
- conserve our waterway heritage and environment
- promote and enable rural and urban regeneration
- maintain and enhance leisure, recreation, tourism and educational opportunities for the general public
- facilitate waterway transport
- play a lead role in co-ordinating other UK navigation authorities
- act commercially

Waterways for Tomorrow, the Westminster government's policy document for inland waterways in England and Wales, sets out the context in which this Plan has been developed.

In summary the government:

- sees the inland waterways as 'an important asset for future generations to enjoy'
- wants to see waterways 'maintained and developed in a sustainable way so that they fulfil their social, economic and environmental potential'
- wants to ensure that 'the many benefits and opportunities they provide are used to the full'

(Waterways for Tomorrow, p16, published 2000).

It describes British Waterways as:
'A public corporation which runs its affairs on a commercial basis consistent with its statutory powers and obligations for navigation and the environment; and its objectives agreed by the government. It is expected to promote the use of its waterways for leisure and recreation, tourism, regeneration, and transport while also conserving their built and natural heritage'.

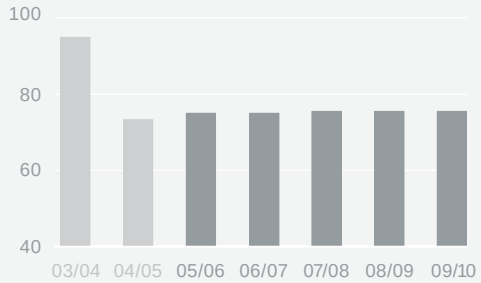
In 2002 the Scottish Executive published Scotland's Canals – An Asset for the Future, the first ever policy document for Scotland's canals. The Scottish Executive believes that our canals are an asset that, if used wisely, can enhance the future quality of life in Scotland.

Their strategy to achieve this is based on five main principles:

- increasing awareness of canals in general and encouraging more private sector investment
- encouraging all public bodies sponsored by the Executive and local authorities to continue to work together and support the sustainable development and regeneration of canals and their surrounding areas
- promoting voluntary sector and community involvement in canals, with particular regard to their educational value and their positive impact on quality of life
- promoting the need for other public policy decisions to take account of the sustainable development and regeneration aims for our canals
- British Waterways will continue to receive Scottish Executive grant to meet its statutory duties and help progress new initiatives, but is encouraged to develop new and existing earned income streams

Rt Hon Alun Michael MP, Waterways Minister, presents interpretation manager Annette Simpson and economic & social development manager, Nicola Lewis-Smith, Wales & Border Counties with the community award for Trevor Basin at the Waterways Renaissance Awards.

Defra and Scottish Executive Grant £m



The increase in 2003/04 grant reflects a temporary and specific program to invest in water control facilities and to reduce the backlog of safety-related maintenance, including one-off funds from the Scottish Executive for specific works in Scotland.

In 2003 we produced the consultation document, Waterways for Wales, at the request of the Welsh Assembly Government. Waterways for Wales places inland waterways in a strategic context and sets out the positive contribution they can make to the future of Wales.

We use all of these documents to guide us in our business planning.

THE FUTURE

Our continued aim is to remain an exemplar public body, delivering public benefit.

We need to be less exposed to the uncertainty of government funding, and will do this by operating more commercially. Our aspiration is to be in a position where we are not financially obliged to accept government funding over and above what is in our contract.

Our ultimate objective is to operate as a successful public interest company enjoying a high degree of freedom and reinvesting all net income into the waterways on a not-for-dividend model.

We welcome the findings of Defra's five-year, End-to-End, review of British Waterways which recognises the important contribution thriving canals and rivers make to local communities, boaters and other waterway visitors and users, and supports our aim to become largely self-sufficient.

The review, published in March 2005, supported our vision for the waterways. It also endorsed the principles of funding British Waterways on a long-term contractual basis, and greater commercial freedoms with wider powers to invest near to waterways we do not manage.

We will continue our discussions with Defra to:

- convert deficit funding to a contractual payment based on defined outputs and service levels
- achieve additional commercial freedoms to generate greater financial independence

We work with our sponsoring government departments to maintain, care and develop the waterways. Nicol Stephen, Minister for Transport, Scottish Executive, discovers our property development at Edinburgh Quay alongside young visitors.

BOARD MEMBERS

Dr George Greener, Chairman

George is a Director of Reckitt Benckiser plc and Director of JP Morgan Fleming American Investment Trust plc. He stepped down as Chairman of The Big Food Group plc in February 2005. He is the former Chairman of Allied Dunbar Assurance plc, Eagle Star Holdings plc, Threadneedle Asset Management plc and Swallow Group. He is a former director of BAT Industries plc and former Group Chief Executive Officer of Hillsdown Holdings plc. Age 59.

Susan Achmatowicz

Susan is a leisure entrepreneur, who has developed her own award-winning cycle tourism business. She is an advisor on cycle tourism, rural business start-up and sustainable development, her work in the areas of rail-cycle integration, e-commerce and sustainable tourism has been hailed as UK best practice. Formerly a vice-president of Bankers Trust in the City, she holds an MBA in Marketing & Finance from the University of Alberta. Susan is a member of the New Forest National Park Authority and non-executive Director of the NHS Pensions Agency. She Chairs the BW Pension Fund Trustee Board. Age 50.

Richard Bowker CBE

Richard is the former Chairman and Chief Executive of the Strategic Rail Authority, prior to which he was Group Commercial Director for the Virgin Group of Companies. He is a Trustee of the Settle Carlisle Railway Trust, the Deputy President of the Heritage Railway Association and a member of the Business Development Board of SCOPE. He is a member of the BW Board's Fair Trade Group and the Audit Committee. Richard is also a keen boater having cruised extensively around the network on his own boat. Age 39.

Dr Campbell Christie CBE, Vice-Chairman

Campbell was General Secretary of the Scottish TUC for 12 years until retiring in 1998. He joined the BW Board in 1998 and was recently re-appointed for a further three year period and was appointed as Vice-Chairman of the Board. He is the Chair of the BW Scotland Group and represents Scottish interests on the Board. He is a Trustee of the BW Pension Scheme and a member of the Remuneration Committee and the Nominations Committee. In addition to his BW positions he is Chairman of Falkirk Football Club, Chairman of the NHS Forth Valley Acute Operating Division, President of the Scottish Civic Forum, and a non-executive Director on the Board of South West Trains Ltd. Age 67.

Ian Darling

Ian is a chartered surveyor and former Director of Chesterton (Scotland) Property Consultants. He is a member of the Lands Tribunal for Scotland and a member of the Court of Edinburgh University. He also serves on the Council and Scottish Committee of the RSPB and is a past Chairman of the Royal Institution of Chartered Surveyors in Scotland. He is a regular user of Scotland's canals and represents Scottish interests on the board. Age 60.

Professor George Fleming

George is Emeritus Professor of Civil Engineering at the University of Strathclyde and is Managing Director of EnviroCentre (an environmental consultancy based at the University). He is a past President of the Institution of Civil Engineers. He is also Non-Executive Director of WRAP (Waste and Resource Action Programme). Age 60.

Helen Gordon

Helen is Property Director of Legal and General Life Fund. Prior to that she was Property Director at Railtrack. She is an expert in enhancing 'Brownfield' sites and development of under-utilised resources. She was Managing Director of John Laing Property Ventures Ltd and has also advised on many major regeneration projects. Age 45.

Dr Derek Langslow CBE

Derek is Chairman of the Rail Passenger Committee for Eastern England, a trustee of the Heritage Lottery Fund, a non-executive director of Harwich Haven Authority and is an external consultant to Defra on Quinquennial Review. He is the former Chief Executive of English Nature, having set up the organisation following its demerger from the Nature Conservancy Council. He also Chairs the Audit Committee. Age 60.

Terry Tricker

Terry is currently Chairman of Burton Hospitals NHS Acute Trust. He has recently Chaired an Independent Review of an NHS Mental Health Unit in Birmingham and was previously the Director of Operations and a board member of Severn Trent Water Ltd, and Non-Executive Director of the Employment Needs Training Agency. He is a mentor with 'Jigsaw', a young people's mentoring organisation, part of the National Mentoring network, and has worked with disadvantaged children in the UK and Romania. He is a Chartered Chemist and had a long career trying to improve our aqueous environment. He is Chairman of his own leisure company, Derby Caravan Centre Ltd. Age 61.

EXECUTIVE DIRECTORS

Jim Stirling OBE, BSc, MBA, CEng, FICE, MIStructE
Director, Scotland
Jim joined British Waterways as Manager, Scotland in 1992 and became Director, Scotland in 1997. Jim spent many years in civil engineering and construction, both in the UK and abroad. Age 52.

Mark Bensted IEng, AMIStructE
Director, London
Mark has been responsible for the operational, property, leisure and regeneration activities of British Waterways London since 1990. Prior to joining British Waterways in 1980 Mark worked in the construction industry for Taylor Woodrow and Kyle Stewart. Age 47.

Derek Cochrane BSc, MEng, CEng, FICE
Managing Director, Northern Waterways
Derek has worked for British Waterways for over 25 years commencing in Scotland. Prior to that he worked for a water authority and in private sector consultancy. Age 54.

John Lancaster FCA
Managing Director, Southern Waterways
John joined British Waterways in 1996 following a career in the accountancy profession, followed by 20 years in general management positions within the dairy industry. Age 58.

James Froomberg MA
Commercial Director
From 1983 to 1999 James was at KPMG where, as a partner, he headed the firm's management consultancy to the leisure industry. He was then appointed to Wembley plc as Director of Corporate Development, before joining British Waterways in March 2003. Age 49.

Nigel Johnson BSc (Econ), Solicitor
Legal Director
A corporate lawyer for most of his career, Nigel was Chief Solicitor to Cheltenham & Gloucester plc from 1987 to 1997. He was then Official Solicitor to the Church Commissioners, before joining British Waterways as Legal Director and Secretary to the Board in April 2001. Age 50.

Vincent Moran BA, FCIPD
Personnel Director
Vince joined British Waterways in 1997 following extensive personnel and general management experience in production, manufacturing and service activities with the coal industry and Chubb Security plc. Age 49.

Simon Salem BA, MBA
Marketing and Customer Service Director
Simon has over 20 years' experience of marketing, PR, corporate affairs and fundraising. Before joining British Waterways he worked for London Transport. He has worked extensively in the leisure and tourism industry. Age 47.

Stewart Sim OBE CEng, FICE, MCIWEM
Technical Director
Stewart was Operations Director until May 2003 when he became Technical Director. A civil engineer by profession, Stewart has worked across the country for British Waterways for over 30 years and has been involved in most parts of the business. Age 59.

Mark Smith FCCA
Finance Director (until May 2005)
A fellow of the Chartered Association of Certified Accountants, Mark has spent much of his professional career in retailing, and held senior finance and business development positions in Marks and Spencer plc before joining British Waterways in March 2001. Age 46.

Robin Evans BSc, FRICS
Chief Executive
Robin joined British Waterways in 1999 as Commercial Director and became Chief Executive in December 2002. Prior to that he spent four years as Palaces' Director for Historic Royal Palaces and was Chief Executive of The Landmark Trust for eight years. Age 51.

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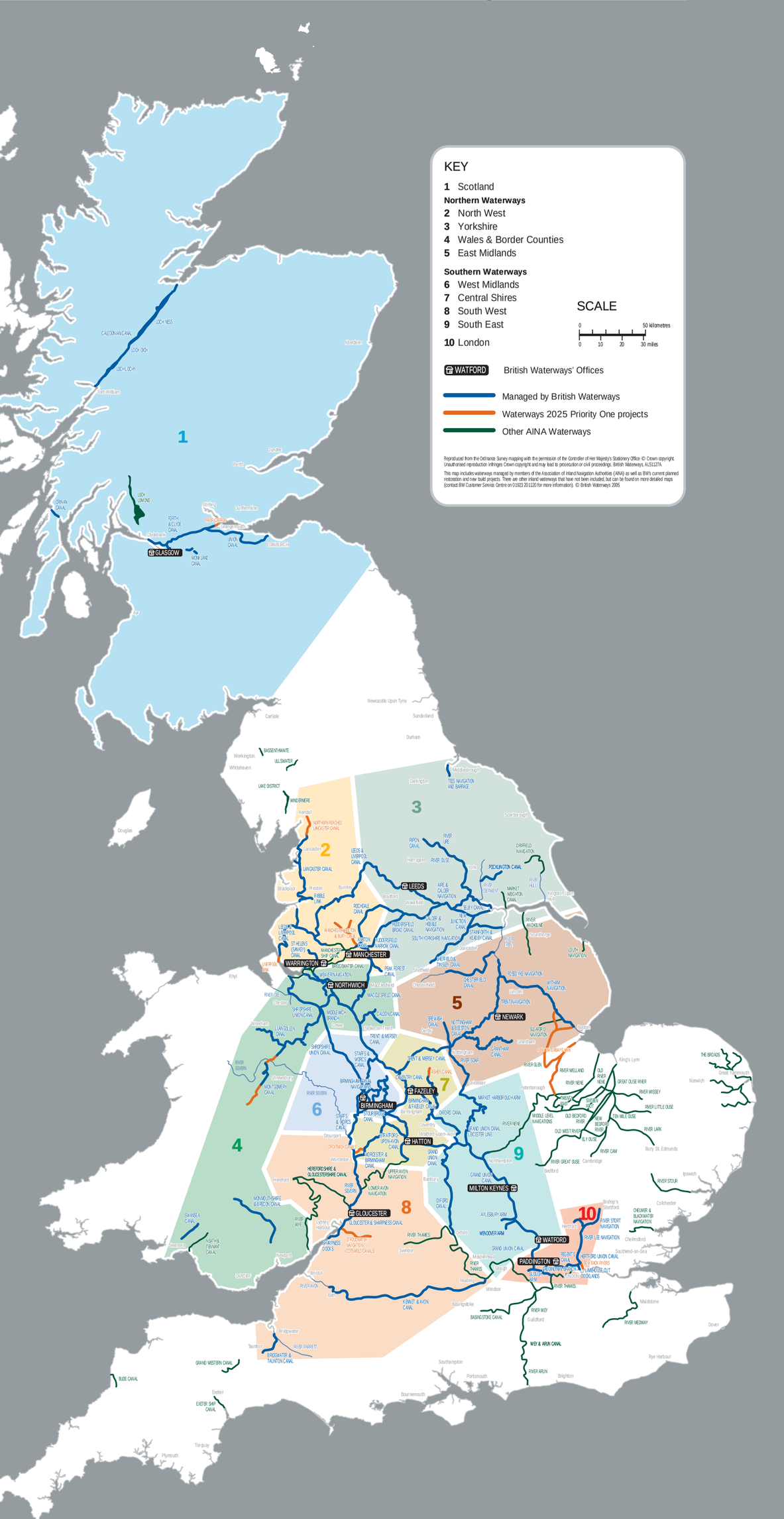

WATERWAY MAP

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Designed by 55 Design Ltd, printed by Taylor Bloxham.
Published May 2005.

Back cover: A family enjoy a drink at 'The Jolly Boatman' pub at Thrupp, on the Oxford Canal.